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EUR/NCE FOR FICHTE, PM FOR DOWLEY, OSD FOR SADOWSKA

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TAGS: PGOV PREL EZ MARR MASS MCAP NI EC ID VM

SUBJECT: CZECH MFA SOLICITS INFORMAL U.S. OPINION ON FOUR  
VERA/TAMARA/BORAP DEALS

REF: PRAGUE 1350

Classified By: Political Counselor Michael Dodman  
for reasons 1.4 (b) and (d)

¶1. (S/NF) Summary: The Czech Government is considering granting permission for Czech export companies to begin to negotiate sales of several radar and similar systems to Indonesia, Ecuador, Nigeria, and Vietnam. If future applications are made for export licenses for the VERA, the Czech MFA intends to work with the United States to reach a decision. End summary.

¶2. (S/NF) Poloff met October 26 with Czech MFA Common Foreign Security and Policy Director Vaclav Balek to discuss exports of sensitive Czech military technology. Balek shared that the Czech Government is considering issuing a preliminary opinion on applications from several (unnamed) Czech export companies to negotiate sales of radar and/or passive surveillance technology to Indonesia, Ecuador, Nigeria, and Vietnam. Balek highlighted that these were not formal license applications but were instead "preliminary applications for the start of negotiations with partners." He was keen to point out that these applications were subject to a degree of uncertainty. The applications indicated neither a destination country's definite interest in purchasing a system nor that an eventual export license application would be approved by the Czech Government.

¶3. (S/NF) Balek said that any future exports of the VERA would be subject to a range of nonproliferation controls, including the incorporation of chips that would cause the system to self-destruct if operated outside of the destination country. (Note: We believe that applications to purchase the "VERA" refer to the slightly limited ASDD-01 version of the system that is normally offered to non-NATO countries. End note.) Balek outlined the following requests and probable Czech Government decisions:

Indonesia: VERA

- likely to grant permission for preliminary negotiations

Ecuador: VERA

- likely to grant permission for preliminary negotiations

Nigeria: Tamara

- likely to grant permission for preliminary negotiations

Vietnam: VERA or Tamara or BORAP.

- likely to refuse permission for preliminary negotiations on VERA and Tamara
- likely to grant permission for preliminary negotiations on BORAP.

(Note: While the VERA and the BORAP are manufactured by ERA a.s., Balek guessed that the Tamara systems in question were manufactured by Tesla Pardubice for delivery to France in the early 1990s. That deal had fallen apart in a price dispute, leaving two unsold systems in the Czech Republic. End note)

¶4. (S/NF) Balek said that, if the U.S. had an opinion on sales to these particular destination countries, it would be helpful for the Czechs to hear the U.S. side early in the process. Poloff reminded Balek that USG opposition to a VERA transfer to Vietnam was unlikely to change. Balek agreed, indicating that this was a primary reason for the Czechs' likely refusal to authorize commercial negotiations on the purchase of a VERA. (Note: There is currently no agreement committing the Czech Government to consult with the U.S. over surveillance systems other than the VERA. However our cooperation on other arms exports suggests that the Czech MFA could be receptive to clearly articulated U.S. concerns about other systems. End note.)

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COMMENT  
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¶5. (S/NF) As noted above, the VERA and BORAP are manufactured by ERA a.s., based in Pardubice, Czech Republic. These applications all predate the October 26 purchase of ERA by Rannoch, a U.S. firm (Reftel). All of the applications were made by Czech export companies specializing in military material, rather than ERA itself. It remains to be seen if

Rannoch would back these export companies and support further negotiations with these destination countries. Regardless of Rannoch's opinion, if the VERA now falls within the jurisdiction of U.S. defense export licensing controls, the USG will have a useful tool at its disposal to ensure that VERAs are not sent to the wrong countries.

¶6. (S/NF) Pending resolution of the issues raised by the Rannoch acquisition of ERA, the Czech MFA must still rule on the current applications to negotiate with these four destination countries. Post has already made it clear to the Czechs that the USG remains opposed to a transfer to Vietnam. The Czech MFA did not/not make a formal request with a 30-day timeline for a final USG opinion on any of these destination countries (Note: For an actual marketing or export license application involving the VERA, the USG has committed to providing the Czech Government with its opinion within 30 days. End note). The Czech MFA's decision to consult with the Embassy at so early a stage provides an opportunity to stop problematic negotiations before they begin in earnest. There is no history of the Czech Republic consulting the U.S. on BORAP or the Tamara and this may be our only chance to intervene in those cases. If a USG opinion on the appropriateness of these destination countries is not easily available in Washington, Post will make it clear to the Czechs that the USG will be able to provide a formal and timely response on the VERA cases if negotiations lead to an actual application for a license. We will also note that we are also considering the implications of the Rannoch acquisition of ERA.

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